

EASTERN ECONOMIST PAMPHLETS

General Editor : E. P. W. da COSTA

30

**ASIA BETWEEN MALTHUS
AND MARX**

AN ESSAY

by

RAYMOND ARON

As. 8

GENERAL EDITOR'S PREFACE

There has been need from time to time for an expression of views by foreign scholars on the economic problems of Asia. There are two aspects of this problem which generally find special interest abroad. The first of these is the pressure of population, and the second the attitude towards Communism often quoted as the most efficient means of economic progress. 'The Eastern Economist' has sought the assistance of an author who could deal happily with both the aspects of this problem in a small compass so that the whole perspective could be seen in one brief piece.

Raymond Aron should need no introduction to Indian readers. He toured India at the end of 1953 and his writings are deservedly appreciated here. He is one of France's foremost scholars. He has been Professor at Toulouse, Professor at the Ecole Nationale d'Administration and at the Institut d'Etudes Politiques in Paris. During the War he was Chief Editor of the periodical *France Libre* published in London. He is now one of France's leading editorial writers and edits the economic section of 'Figaro'. His profound scholarship and his fine analytical power have earned for him a worldwide reputation. His writing bears the mark of a passionate belief in the individual; he is a liberal above all and it is appropriate that he should be a leading member of the International Executive of the Congress of Cultural Freedom.

'The Eastern Economist' is grateful to M. Raymond Aron for permission to print this most stimulating essay. It does not, however, agree with all his conclusions and considers that in India in particular M. Aron paints a picture which is less optimistic than the picture painted week by week in 'The Eastern Economist'. He quotes, for example a lower rate of capital formation than is currently taking place. Here, however, is an essay which, whether one agrees with it or not, is full of provocative ideas. That is justification enough for its publication at the present time.

March 24, 1955.

E.P.W. da Costa

ASIA-BETWEEN MALTHUS AND MARX

AN ESSAY

If it is true that ten years ago the West did not understand the Communists, did not take seriously their messianic aggressiveness, it is also true that today it sometimes gives the impression of wanting to understand the Communists better than the Communists understand themselves. The Communists, at least in public, feel it necessary to give to events an interpretation compatible with their ideology. But during recent decades there has been an ever-widening gap between the ideology and the event, between Marxist theories and reality. It is obvious, in retrospect, that the Russian Revolution of 1917 was nothing like that uprising of the Proletariat against Capitalism which Marx dreamed of as the supreme moment in human history. And the "revolutions from above" which prepared the way for Russian occupation of Eastern Europe cannot be assimilated to the vision of the self-destruction of the capitalist system, victim of its own contradictions.

While the West is well aware of this divergence, it has nevertheless developed on its own a sophisticated pseudo-Marxist theory of the political destiny of the under-developed countries. This theory, though unacceptable to the pure Marxists, presents the Communist case far better than the Communists themselves ever could. As developed, for instance, in the pages of *The New Statesman and Nation*, it is plausible, lucid and cogent. It does not quite provide the equivalent of Historical Necessity, but it comprises three elements which together suggest the probability of the under-developed countries moving willy-nilly in the Communist direction.

First, it emphasises the circumstances, supposedly favourable to this type of evolution : overpopulation in rural areas, survival of an agrarian regime hated by the peasants, poverty in the new urban areas, disintegration of the old social order caused under the pressure of war, etc. Secondly, it attributes the leading political role to a single party, which is regarded as a unique social organism, its general staff recruited from the intellectuals, its leaders and militants, the professionals of political action. In practice, this almost invariably means the Communist Party. Lastly, it asserts that such a regime as a "peoples' democracy", however terrible its methods, has the merit of accomplishing one essential task : the industrialisation of the backward country. The Party substitutes itself for the non-existent private entrepreneurs; collective savings, imposed by the State, make up for the lack of private savings; the Party's discipline and fanatical ideology create an elite adapted to the needs of an industrial society.

Practically all those who like to think of themselves as being in the "progressive camp", accept this sociological theory, according to which Communism gives expression to the revolt of the hungry, exploited peasant masses against the West, offering a kind of substitute for capitalism as an agent of economic development avoiding the domination by colonial powers which is the inevitable result of relying upon foreign capital. How does this theory square with the facts ?

One often hears of "the vicious circle of poverty". The under-developed countries are too poor to be able to save. Without savings how can they invest ? Without large-scale investments, how can they cease being poor ? But it is necessary to go beyond this banal formula. Economic progress demands that the quantity of goods produced each year should increase more quickly than the population, and that the increment of production should not be consumed entirely but should be used to increase the volume of investments. This requires the diversion of surplus manpower from agriculture into industry, with agricultural output maintained, while rural workers find productive employment in the towns.

In theory, Soviet regime appears especially able to fill the various conditions indispensable for economic progress. The initial phase of industrialisation does not pass without attacks against vested interests, or without violence done to customs and rights. The Communist State is strong enough to raise a considerable amount of savings, even against the will of the population. Public savings are enforced on the peasants by the low prices paid by the State for their produce, and on the workers by the turnover tax, which create a wide gap between the price paid to the farmer and the selling price to the urban population. The decision to invest, which, in a free economy, depends on the mood and fortunes of a minority of individuals, will, in a Communist State, be made resolutely by the Party leaders, put into execution by the public administration, and imposed on the masses by activists and propagandists. Thus, the construction of industry becomes the common task of the rulers and the ruled, the Party ideology spreads from one to the other, bringing with it a collective discipline conforming to the needs of an industrial society.

But it is worth asking : Has the Soviet method really an exemplary value for Asia ? It will be remembered that Tsarist Russia, during the twenty years immediately preceding the First World War, managed to escape, with the help of foreign capital, from the "vicious circle" of under-development. During the 19th century, in all probability, the pressure of population on the land increased. But between 1900 and 1913, the cereals-producing area increased by 8 %. Between 1896 and 1913, the harvested crop increased by 38%, that is, more quickly than the number of mouths to be fed which rose from 127 million to 167 million in that period. The national income rose by 39.4% between 1900 and 1913, and as the population between these same dates increased by 19.1%, there remained an advance of real income per head of about 17.1%. Nothing proves that Soviet techniques were indispensable for economic progress in Russia itself. Russia was by no means a prisoner of the vicious circle of poverty.

Have Soviet techniques given conclusive results in the

Soviet Union? Beyond question, the building up of heavy industry has been impressive. But if one considers the relation between means of subsistence and population, the results are less satisfactory. One primary fact is certain, for it is admitted by official spokesmen of the regime : The number of cattle was lower in 1953 than in 1916; and while the number of sheep was 14% higher and the number of pigs 23% higher, these increases are far smaller than the comparable growth of the population. If present figures are compared with those for 1928, the failure becomes even more marked. The past twenty-five years have been a disaster for Soviet livestock breeding, as Mr. Krustscher himself recently informed us.

It has been argued that the backwardness of stock-breeding is partly voluntary, since meat and milk are expensive commodities. Wheat produces more calories than stock-breeding per acre of cultivated land. Unfortunately for this argument, in 1938—according to the best observers of Soviet affairs—the quantity of cereals available per person was actually less than in 1913, while the figure for 1952 seems to be just about equal to that for 1913. The only crops whose production has advanced much more rapidly than the population are sugar beet and industrial fibres.

One last fact must be noted. The growth of the Soviet population during the forty years following 1914 has been retarded by a series of historic catastrophes. Without taking into consideration the losses during the First World War, the population diminished by 8.3 million from 1918 to 1920, the losses during the 1921 famine are numbered at five million, the famine years 1933-34 cost nine million human lives, and the total losses of the Second World War, taking into account the deficit of births, amounted to 37.5 million. Civil wars, famine and foreign wars have, since 1914, played in Russia a classically Malthusian role. Even so, during this period the growth of population tended to exceed that of the means of subsistence. The population has increased by about three million a year, that is, at a rate of 1.5%. There is no evidence for such a rate of advance in agricultural production.

If such has been the outcome of the application of Soviet techniques in Russia, one wonders if the common antithesis applied to Asia, "Malthus or Marx", makes any real sense. Unquestionably Communism succeeds in transferring the surplus rural population to the industrial towns, and with the mechanisation of agriculture can obtain equal agricultural output with reduced manpower. But capitalism succeeds in doing just this, too. Indeed, it was capitalism's function to accomplish it, according to the author of the *Communist Manifesto*.

If the Russian experiment still has a general significance, it is surely this: Grand plans for industrialisation, centred round heavy industry, and which in themselves bring no immediate increase of the means of subsistence, force the State to appropriate a greater proportion of the agricultural output, in order to feed the towns. As these deliveries cannot be paid for (the State does not possess sufficient consumer goods), the use of force becomes inevitable. Such forceful appropriations eventually dry up the source; the peasant has no desire to increase his harvests, since the profits of his labour do not return to him. This is the "contradiction" in the Communist economic system—a contradiction more flagrantly observable than any of those posited of capitalism in *Das Kapital*.

Is such an experiment really an example for Asia, with its overwhelming problem of malnutrition?

The under-developed countries of the 20th century do not have to invent industrial civilization, they merely have to initiate or import it. The transfer is in many ways simpler than the invention, but it does bring certain problems that the initiators in the West did not meet. If Soviet Russia does not offer a working model for Asia, then neither does America.

There are two particular risks in the attraction of a Western industrialised economy for an under-developed one. First, in this age of virulent nationalism every government

wants to be armed like a great power. But armament industries have become extremely costly. Even those under-developed countries with huge populations have to choose between military dependence on foreign countries and costly installations in imitation of the Western world of 1954. It seems probable that the introduction of certain industries in Asia (the motor industry, electronics, etc.) has been a false step but it is hard to see how the damage can be undone.

Secondly, the West—especially the United States—presents a far too modern model for Asia's needs, one in which the emphasis is no longer on production but on consumption. The American model discourages savings. The American standard of living, as displayed by Hollywood, glossy magazines and tourists, inspires in Asia feelings of astonished envy, and incites an unhealthy propensity to consume. The business man of every free Asian country wants to own an American car, and the middle classes are blind to slow and small improvements in their lot, seeing only their inferiority in comparison with the European or American middle classes.

The Western model also produces another effect, both fortunate and unfortunate. There is an inevitable insistence on the use of the most up-to-date medicines, with a consequent fall in the mortality rate. In Europe, too, there was a time (before 1800) when the birth rate remained static, or fell slowly, while the mortality rate fell more rapidly—a period of rapid increase in population. But in Europe this fall in the mortality rate was mainly due to economic progress. In most under-developed countries today, it is mainly due to the progress of medicine. As one French scholar has recently written: "The co-existence of a mortality rate below 15% and a birth rate over 40% is no longer an exception. Now, the mortality rate for the Western countries at the outbreak of World War I was 15%. Thus, many under-developed countries have the fertility of European countries in 1750 with a 1900 mortality rate. A time-lag of at least a century and a half."*

*A Sauvy, *Theorie Generale de la Population*, (Paris 1952).

The "originality" of the Soviet method, as we have seen, lies in its having increased the appropriation of agricultural produce without actually increasing the amount produced, and in devoting the greater part of investment to heavy industry, thus depriving itself of the consumer goods which would make the peasants sell their produce. Were the same technique applied to India, the "elimination of useless mouths," to which one would have to be resigned, would easily surpass the 60 or 70 million lost to Russia since the Revolution.

On the other hand, the American method of the 20th century is simply not applicable to Asia. Perhaps the American methods of the 19th or 18th century would be ; but modern Asia, heir to the welfare economics of our day, finds these methods unacceptable. The present situation in Asia has no analogy in the history of Western countries—not even of Russia. Neither from the point of view of industry nor agriculture is India's position in 1954 comparable with Russia's on the eve of the First World War. Russia in 1913, with 170 million inhabitants, produced 30 million tons of steel, while India in 1950 only produced 1.5 million. Russia, which in 1913 disposed of more cereals and livestock per head than France, knew nothing comparable to the recent demographic and economic development in India, where, in the last 20 years, the population has increased by 3 or 4 million a year, while the rate of output of the principal crops has remained static. Any attempt to industrialise India without increasing agricultural output would lead to catastrophe. The only practicable way of development, without recourse to inhuman violence, involves priority for agriculture. The basic food supply in all Asian countries is too inadequate for industrialisation to be accomplished successfully without substantially improved agricultural output. Perhaps in the search for a patron saint of economy in Asia, it is not Marx or Malthus who should be chosen, though both are partially in the right, but rather those for whom the source of all riches is the earth—let us say, the Physiocrats, whose heirs are to be found in Japan.

It is Japan, rather than the Soviet Union or the United

States that could provide a model for Asia. In 1870, the leaders of the Meiji period undertook the economic development of the country without having recourse to Western capital at least in the first years. During the half-century in which Japan managed to "Westernise" her economy (with much less to start with than had Russia), agricultural production was doubled, while 12% to 17% of the national income was invested each year. It is true that the development of the Japanese economy, admirable as it was, came to an impasse, with the rise in population finally outstripping agricultural productivity; so that Japan today (like Great Britain) is dependent on the export of manufactured products to the fickle world market. Nevertheless, in all economic history there has hardly been a comparable *tour de force* to that in Japan between 1870 and 1930. The supply of the means of subsistence increased a little faster than the population, which doubled; while the educational system was overhauled, public services (railways, roads, etc.) were set up on the Western model, and the surplus rural population was transferred to the factories and to the service industries of the cities.

In other words, the leaders of the Meiji period managed to accomplish what today seems extraordinarily difficult:

1. They diverted from agricultural output a sufficient amount to feed the towns and to supply some savings for re-investment, without discouraging the peasants from producing. (After the suppression of the feudal regime, the State tax was much lower than the rent previously paid to the *daimos* and *samurais*.)

2. They restricted consumption in such a way that a large part of the increased production was invested. (The redemption of feudal rights with bonds which inflation would devalue furnished the initial resources, while taxes and self-financing by individual enterprises brought the necessary additional capital.)

3. They managed to balance the various aspects of economic development in such a way that the demand for goods coming from new factories was never below the supply. Certainly, during the period of industrialisation, the incomes of the masses did not increase at the same rate as the national income. However, in spite of this, Colin Clark, in his *Conditions of Economic Progress*, gives statistics according to which the income per head of the working population almost tripled, while the income per head from agriculture doubled between 1889 and 1925.

What was the secret of this unprecedented success ?

There seems to be no doubt as to the answer : the foresight and resolution of the ruling class. The leaders of the Meiji period had the extraordinary intelligence to liquidate the feudal structure (although they themselves belonged to the noble class), to free the peasants, to make some of them landowners, and to organise a system of universal education. The aristocrats, who under the Shogunate had become parasitical—they no longer fought and merely allowed themselves to be kept by the peasants—not only staffed the new army, but also the universities, public administration and, in some measure, the new industries.

The position of India is, in a sense, worse than that of Japan at the beginning of the Meiji period, just as it is worse than that of the Soviet Union at the beginning of the 20th century. The reason is the same in both cases : the growth of population has far outstripped the means of subsistence.

Economically, the immediate necessities can be reduced to three : the need to increase agricultural production without the peasants consuming the whole of the increment ; the need for the whole country to save an increasing proportion of the national income, as this increases ; the need to persuade the State or the entrepreneurs to invest, not according to a rigid plan, or in response to the automatism of the market, but by taking into consideration the demands of well-balanced economic development. Is a regime such as India's incapable of

fulfilling these three prerequisites ? I do not think so by any means.

Leading Indian officials, working on the elaboration and execution of the Five-Year Plan, stand up very well in comparison with their Western counterparts. The technical and administrative capacities which Japan, over a few decades, found mainly in its old ruling class, are already possessed by India or at least can be acquired in a short time through the borrowing of friendly experts. But what about the Government's ability to direct this transformation ? The answer here is less certain. Undoubtedly, the various party leaders of India are intellectually equal to those of Japan or any Western country. But a capacity for governing is not to be confused with a talent for thought or writing. It demands the art of managing men, a comprehension of what is essential and what is not, and above all, the courage to carry out necessary measures. When it is a matter of a class or a team, rather than an individual, perhaps the rarest but most indispensable virtue is to be able to maintain the solidarity of the group in the face of inevitable internal rivalries and conflicts. Not enough time has elapsed since the withdrawal of the British, and the authority of Mr. Nehru is still too absolute for any categorical judgment to be made. However, it can be said that, for the next ten or fifteen years, at any rate, the chances that the new elite will maintain a sufficient internal coherence are good.

Is the elite capable of introducing a successful agrarian reform, in particular the elimination of the *zamindars* ? No reform of this kind can remedy the basic ills—shortage of cultivable land and excessive population—but without freeing the peasant from the grip of the usurer, there is no prospect for improvement at all. Unquestionably, a democratic regime, proceeding legally, will accomplish such a reform less quickly than a despotic and arbitrary one. And in India, this reform is the responsibility of the States, not of the Central Government. It seems, however, to be on the way to realisation. Similarly, the improvement of agricultural methods, the erection of dams and establishment of systems of irrigation,

are all under way, though only in time will their result be noticeable. *

Can the Government raise the necessary savings ? That, at the moment, is the most difficult point. The proportion of the national product which is put into savings remains low—about 5 per cent. Up to now, the two principal sources have been the savings of private enterprises and of private individuals, especially those of the privileged minority. The Government seems now to want to finance investments by a budgetary deficit, in the hope that the deficit, so long as it does not exceed a certain level, will encourage industrial expansion without provoking a rise in prices. But during the coming years, loans or gifts will probably be needed to increase investments substantially. Their annual total need not exceed the equivalent of a billion dollars, which is not a large sum in proportion to the economies of the donor nations. The indifference of Western countries towards India's economic effort bears witness not only to great egoism, but also to a lack of foresight. Whatever one may think of the foreign policy of the present Prime Minister, it is neither generous nor intelligent to reply to this neutralist declaration by the suppression or reduction of economic aid. The free world has a major interest in the success of India's economic effort. Once that has been said, it would be wrong to forget that, finally, everything depends on India herself. Gifts make it possible, for a few years, to incur deficits in external accounts, but in order to maintain or increase the percentage of investments in relation to the national income, internal savings must grow, keeping pace with the increasing national income. The present percentage of savings is tragically small.

* On one point, which is not without importance, a regime which respects the personalities of its subjects is at a disadvantage compared with despotism. Once the objective of improved living conditions for everyone is accepted, the Indian attitude towards animals appears scandalous. Must the monkeys be allowed to destroy a substantial part of the crops—perhaps an amount equal to imports of food ? And could not the enormous number of cows be put to some use, while respecting the law that they must not be killed ? In India, it is age-old tradition, rather than the resistance of the privileged classes, which impedes reform.

Would an authoritarian regime have a better chance of succeeding, or succeeding more quickly? Naturally, violence would be used without hesitation, but would it be efficacious in dealing with the peasants? Everything we have seen in Russia leads us to doubt it.

In India—where order is now maintained, competent officials are not lacking, and the ruling group has been won over to the idea of economic progress—the democratic regime must give proof of a triple ability: the ability to modify social relations in rural areas in order to encourage production, the ability to modify gradually the beliefs which are incompatible with economic Westernisation, and the ability to impose substantial savings, in spite of the widespread poverty.

For some years, Nehru's State, successor to the one the English built up after the Great Moguls, is not threatened by a Communist electoral victory. It is only threatened by the disintegration of the party in office. However, as long as the democratic regime lasts, the masses will be disturbed by the propaganda of the various parties, the economic changes, and the creation of linguistically homogeneous States. Will the democrats be able to hold the masses? Will they manage to eliminate gradually the habits and traditions incompatible with the spirit of industrial civilisation? Will they manage to bring India out of her poverty, free her from the caste system and other superstitions, without appealing impatiently to drastic discipline?

In order to spread certain institutions from one society to another, it is never enough to transfer experts or technical formulae; the essential is to change ways of thinking. Irrigation, factories and aeroplanes are pitiless to certain beliefs. Machines do not exclude or impose any religion, but if they destroy an old one without giving birth to another, there is a vacuum. Economic development by democratic methods does not only presuppose the efficiency of elected rulers and deliberating assemblies; it demands men who find the object of their faith and the principles of their morality outside politics.